



NAPIER
CITY COUNCIL
Te Kaunihera o Ahuriri

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SUSTAINABLE NAPIER COMMITTEE

Open Minutes Attachments

Meeting Date: Thursday 12 September 2024

Time: 9.30am – 11.23am

Venue: Large Exhibition Hall
War Memorial Centre
Marine Parade
Napier

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Local Water Done Well

Legislation Update – September 2024

Local Water Done Well Legislation

Water Services Acts Repeal Act 2024

- Enacted in February 2024, repealed the proposed 10 water services entities and confirmed that Council's will continue to own and be responsible for water services.

Local Government (Water Services Preliminary Arrangements) 2024

- Enacted 3 September 2024, establishes the framework of Local Water Done Well.
- Sets out the requirements, timeframe, and process for developing a Water Services Delivery Plan.

Local Government Water Services Bill

- To be introduced in December 2024, will establish the enduring settings for the new water services system.
 - Enhanced delivery models for water services
 - New financing options for councils
 - Economic Regulation

Water Services Delivery Plans

- Strategic Decision-Making Tool

Consider current and future water services delivery models.

- Financially sustainable

Revenue requirements to cover the costs of water services delivery and to deliver required levels of investment;

How proposed levels of investment required over the Plan period are sufficient to meet levels of service, regulatory requirements and provide for growth; and

Funding and financing arrangements to deliver the proposed levels of investment.

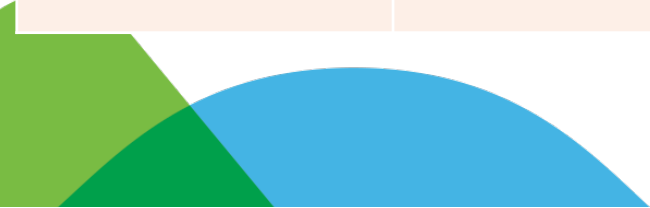
- Affordable

- Joint or Standalone



WSDP Timeline

Preparation	Plan development & consultation		Plan submission	Review & acceptance
Sept 2024	September 2024 – September 2025			Sept 2024 Onwards
Councils can formally begin developing their Plans, following the enactment of the Act. Guidance, Plan templates and other information available from the Department. <i>Councils bring together their Plan ‘team’</i>	Councils develop Plans, either individually or jointly. During this phase, the focus is expected to be on financial sustainability and consideration of joint arrangements for water services delivery.	As councils develop their Plans, they must consult with their communities on the proposed service delivery arrangements The Act provides for ‘alternative consultation and decision-making requirements’ to those contained in Part 6 of the Local Government Act 2002.	The Plan must be certified by the council chief executive(s). Once the Plan has been finalised, the council(s) formally adopts Plan. <i>Local Government Water Services Bill enacted mid-2025</i>	Once the Plan has been submitted, the Secretary reviews the Plan and either: Accepts the Plan meets the legislative requirements OR Refers the Plan back to the council(s) for future work. Once accepted, there are only limited circumstances where the Plan can be amended. The council(s) must give effect to the accepted Plan and publish the Plan on their website(s).



LWDW Implementation Timeline

Workstream	Next 6 months (Jul-Dec 2024)	Jan -Jun 2025	Jul-Dec 2025	Jan-Jun 2026	Jul-Sep 2026
LEGISLATION					
Local Government (Water Services Preliminary Arrangements) Bill (Bill 2)	Bill 2 enacted (Aug 2024) Department of Internal Affairs (DIA) provides guidance for councils to support implementation of Bill 2				
Local Government Water Services Bill (Bill 3)	Bill 3 introduced (Dec 2024)	Bill 3 enacted (mid-2025)	DIA provides guidance for councils to support implementation of Bill 3		
COUNCIL WATER SERVICE DELIVERY ARRANGEMENTS					
Water service delivery arrangements	Councils can establish new water organisations allowed under existing legislation DIA/Crown Infrastructure Partners (CIP) supports councils on delivery model considerations CIP and Local Government Funding Agency (LGFA) support councils on structuring and financing for new water organisations (Dec 2024-Feb 2025)		Councils can establish new water models provided through legislation Minimum requirements for local government water services providers in effect		
Water Services Delivery Plans (WSDPs)	Councils develop WSDPs DIA supports councils to populate WSDP template (Sep-Nov 2024)	Councils finalise WSDPs, with DIA support as needed	Councils submit WSDPs to DIA for review and acceptance (Aug-Nov 2025) Final opportunity for councils to apply for WSDP extension (Jul 2025)	Councils publish accepted WSDPs (Nov 2025 or later for extensions) DIA shares accepted WSDPs with Commerce Commission and Taumata Arowai DIA monitor WSDPs Implementation Plan (Nov 2025 until complete)	

Local Government Water Services Bill Delivery Models

1	Internal business unit or division	<ul style="list-style-type: none"> • Status quo for many councils • Minimum requirements for water service providers will apply • New financial sustainability, ringfencing rules, and economic regulation will apply
2	Single council-owned water organisation	<ul style="list-style-type: none"> • New company established, 100% owned by the council • Financial sustainability rules will apply, but retains a financial link to the council • Councils with existing water council-controlled organisations will be required to meet minimum requirements
3	Multi-council owned water organisation	<ul style="list-style-type: none"> • New company established with multi-council ownership • Appointment of a Board through shareholder council (or similar body) is advisable but not a statutory requirement • Option to access Local Government Funding Agency finance with the provision of parent support or to create a more financially independent organisation
4	Mixed council/consumer trust owned	<ul style="list-style-type: none"> • Consumer trust established to own majority of shares • Mixed ownership, with one or more councils owning minority of shares • Structure enables financially independent organisation to be established while retaining minority council ownership
5	Consumer Trust owned	<ul style="list-style-type: none"> • Council transfers assets to consumer trust owned organisation • Consumers elect trustees to represent their interests in the organisation • Most financially independent of the available models

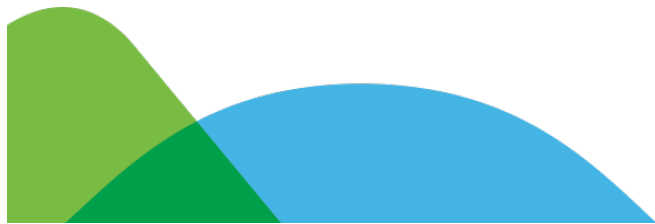
Financing

- LGFA will support leverage for council backed water organisations up to 500% of operating revenues.
- This includes WSCCOs owned by multiple councils.
- WSCCOs will need to meet certain credit criteria.



Stormwater

- Councils retain legal responsibility and control of stormwater but are able to:
 - Continue to deliver stormwater services;
 - Contract to a new WSCCO to delivery aspects of service; or
 - Transfer aspects of service delivery, including assets, to WSCCO
- Financially modelling currently being done is investigating stormwater in vs out scenarios



Economic Regulation

- Implemented by the Commerce Commission and active from 2026 onwards
- Tools include
 - Information disclosure
 - Revenue thresholds
 - Financial ringfencing
 - Quality Standards and performance requirements
 - Price-quality regulation



Next Steps

In House

- Complete initial assessment of current water services delivery.
- Workshop findings on 10 October.

Regional

- Initial information request under way.
- Scenario modelling to commence at close of information request
- Discussions to be had at Regional Collaboration Day



Local Water Done Well – an update

For Elected Members

Monday, 9 September

By now, you will be well aware of the work we're doing across councils to explore the potential viability and suitability of a regional solution to the Local Water Done Well (LWDW) plan – a solution that best serves Hawke's Bay communities.

As a region, Hawke's Bay's positive momentum in this space continues to benefit significantly from the work undertaken back in 2019/20. This previous work is further supported by increasingly clear direction from the current Government who continue to send strong signals around the criticality of ensuring all regions in Aotearoa New Zealand have an environmentally and financially sustainable, fit-for-the-future water services delivery model.

In the lead up to the Regional Collaboration Day on Monday, 30 September in Wairoa and in line with a continued commitment to frequent and open lines of communication, the purpose of this document is to provide a further update on work that has occurred over the past fortnight since our last update.

1. Local Government (Water Services Preliminary Arrangements) Act passed

Last week, the Local Government (Water Services Preliminary Arrangements) Act was assented into law.

In his communications direct to Hawke's Bay's Mayors, Minister of Local Government, Hon Simeon Brown, reiterated this is a significant milestone in the implementation of LWDW, providing the framework and preliminary arrangements for councils to lead the way in making changes to the delivery of water services for their communities.

2. Water Services Delivery Plans due by September 2025

Minister Brown also confirmed councils now have 12 months to develop Water Services Delivery Plans (WSDPs), which means these plans will be required by 3 September 2025.

As shared in our last update, our current priority is on progressing the development of both the business case and initial desktop scenarios and assessments regarding how a joint water services entity could work in Hawke's Bay.

From a project perspective, the current indicative timeline has us undertaking the work required to develop our region's WSDPs following that, likely to be early in 2025.

3. Further Government updates

The Department of Internal Affairs (DIA) and Minister Brown continue to provide further information regarding the legislative settings required to progress the implementation of LWDW. This includes further detail on delivery models and financing options, as well as streamlined consultation and decision-making processes for establishing water CCOs and other local government arrangements.

DIA has also commenced its information sharing sessions for councillors – the first was held earlier this week on Tuesday, 3 September and covered WSDPs. The second is scheduled for next Friday, 13 September and will cover delivery models and financing options.

The Department remains open to meeting with councils, either individually or as a group, if there are any further questions or if assistance is required with any discussions councils may be having about their future service delivery arrangements. Discussions are already underway to arrange a session for Hawke's Bay councils, and we will keep you updated on this.

4. Request for Information (RFI) process – an update

Thanks to the prompt responses and efforts of each of the four council teams, all of the information initially requested through the RFI process has now been provided and passed on to DIA.

This forms part of our agreement with DIA to provide us with an initial desktop assessment of how the opening state of a joint water services entity's balance sheet could look in a Hawke's Bay context. This same information will also be used to develop the scenarios which will be a key component of the regional business case, once developed.

5. Cross-council working groups well-established

The two working cross-council working groups established by the Regional Recovery Agency (RRA) – the Water working group, and the Communications and Engagement working group – are now well-established with representation from each of the four councils and meeting weekly to ensure cross-regional alignment and consistency.

6. Further refinement on modelling parameters

There are ongoing discussions underway with the councils to help refine the parameters for the modelling for testing scenarios and developing the regional business case.

As much as possible, outcomes from the earlier Morrison Low work from 2019/20 continue to guide the current process, in order to fully leverage the extensive work, discussion and community consultation the region has already undertaken – noting the obvious need to also take into account the current policy direction from central Government.

Next steps

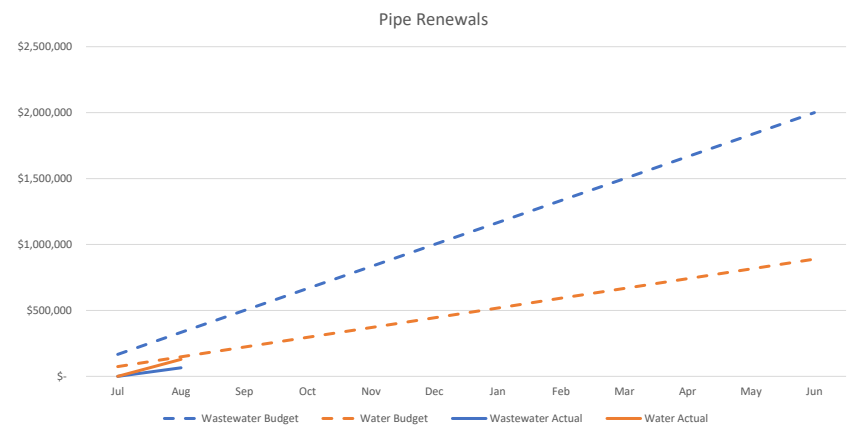
As you will be aware, LWDW will form a core focus of the Regional Collaboration Day being held in Wairoa on Monday, 30 September. This collaborative session will provide a useful opportunity for all elected members, with Hawke's Bay's Mayors providing a summary on the work done to get us to this point, as well as outlining the roadmap to move us forward into 2025 and beyond. We look forward to your attendance and participation at this important cross-regional session.

NCC 3 Waters Capital Programme - Monthly Dashboard Report		Aug-24
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Programme overview

	Major Projects	Minor Projects
Value	\$25,239,853	\$3,657,400
Count	76	29

Renewals		
	Budget (Full Year)	Expenditure (YTD)
Water Pipe Renewals	\$889,000	\$129,000
Waste Water Pipe	\$2,000,000	\$65,000



Financial Performance	
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	Aug-24			YTD		
	Water	Waste Water	Storm Water	Water	Waste Water	Storm Water
Spend	\$458,785	\$770,801	\$203,498	\$1,013,665	\$1,174,570	\$262,677
Budget	\$804,504	\$423,596	\$723,811	\$1,609,008	\$847,192	\$1,447,622
Commentary	Significant spend occurred in the month upgrading wastewater assets at Greenmeadows and Munroe St pump stations as well as drinking water extensions at Meeanee			Year to date expenditure is dominated by the same expenditure focuses of August. As major projects move from design into construction phases, expenditure will increase quickly		

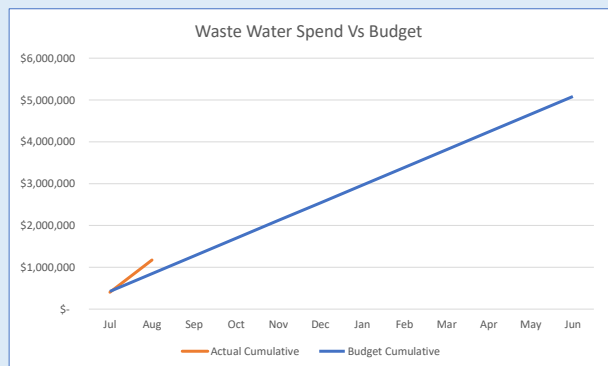
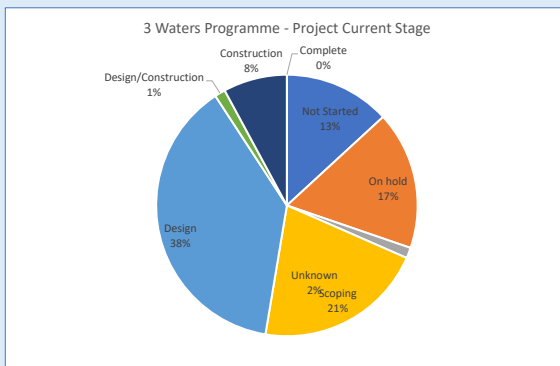
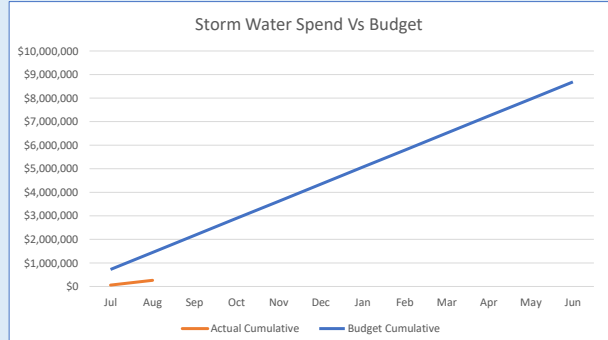
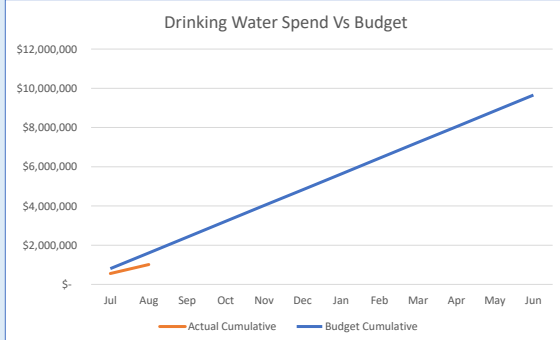
Physical Progress (76 major projects)

Previous Month				Current Month		
Current Stage		Count	Yr 1 Budget	Count		Yr 1 Budget
Inactive	Not Started	11	\$ 1,990,287	10	⬇️	\$1,640,287
	On hold	12	\$ 4,301,176	13	⬆️	\$4,651,176
	Unknown	1	\$ 47,556	1	➡️	\$47,556
Active	Scoping	16	\$ 5,071,834	16	➡️	\$5,071,834
	Design	29	\$ 10,561,000	29	➡️	\$10,561,000
	Design/Construct	1	\$ 200,000	1	➡️	\$200,000
	Construction	6	\$ 3,068,000	6	➡️	\$3,068,000
Closed	Complete	0	\$ -	0	➡️	\$0
Grand Total		76	\$25,239,853	76		\$25,239,853



Programme Risk	
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Programme Risk	Impact	Inherent Risk	Residual Risk	Monthly Commentary
3W Programme is out of control.	3W Programme is not actively managed or controlled.			There has been an uplift in programme mgmt resource, there is improved understanding and visibility of the programme, there is new reporting in place. There is still work to do with scheduling the programme and then locking in delivery
	Lack of understanding and clarity around programme delivery and health.			
	Information provided to the Programme Delivery team is out of date or incorrect.			
Budget is insufficient for the agreed programme of works.	Lack of funding leads to inability to complete the 3W Programme.			Budgets are largely sufficient for planned work across the programme. Some known overs and unders. A large amount of programme still in pre-construction phases means this will continue to be an actively managed risk
	3W Programme overspend leads to wider financial consequences within NCC and community.			
Programme scheduling	Project schedule is longer than anticipated leading to Programme delays, and resulting impacts.			Schedule still largely incomplete, but significant progress being made to confirm accurate project phasing, bundling and delivery options, and project/programme mgmt. and reporting
	Projects are incorrectly prioritised within the Programme.			
	NCC internal processes create project delays.			
Resource is insufficient for the agreed programme of works.	Insufficient resource to deliver programme.			Issue is with planning, design, PM - this both internal and external
	Poor resource management leads to unachievable workload and resultant non-delivery.			
	Projects are delayed leading to Programme non-delivery.			
Incorrect resource capability.	Carry over of projects and resultant bow wave or deferral of projects.			Confident with capability of teams both internally and externally, challenge remains with capacity
	Projects are not completed to the expected scope or standard.			
	Projects do not deliver their intended benefits.			
Programme delivery is reliant on delivery of all projects.	Project non-delivery impacts programme delivery.			Schedule still largely incomplete, but significant progress being made to confirm accurate project phasing, bundling and delivery options, and project/programme mgmt. and reporting
	Interdependencies of projects impacting on each other.			
	Individual Projects are not managed or controlled.			
Organisation is not ready for, or receptive to, change.	Stakeholders or Partners aren't able to, or are unwilling to, change in line with NCC expectations to better deliver the 3W Programme.			Change mgmt, stakeholder engagement, partnership, communication and alignment remain top priorities and are being actively resourced/pushed
	Change is not well communicated with all parties.			



Looking Forward

The following works are planned in the coming period	
Work	Risk Mgmt.
Water Supply Master Plan update (V2.0) work near completion - with Water Strategy Team for review and approval - expected completion by end October	Known pressures on internal resource capacity putting review timeline at risk.
Greenmeadows wastewater pump-station planned shutdown for valve chamber install works scheduled for late September	Contingency plans in place (approved by Director)
Commissioning and pressure testing Meeanee Awatoto water main at present	Operational plan to be developed for future use of asst (flushing etc)
Wastewater treatment plant storage Cell 2 Commissioning planned October (lining planned for instal late September)	Rain/weather is major risk - contingency planning in place, possible delays being planned for - weather protection cannot be used
Fast-track 4 lane expressway works - uncertainty about potential impact on NCC assets (primarily stormwater)	Working with NZTA to understand scope of project, likely impact on assets and options to work together
Design for Mataruahou and Taradale Rising and Falling Main Tenders to be issued to Market in October	Outcome of design may have material impact on whole of programme delivery due to current project assumptions on budget and schedule
Mission Reservoir concept design due for completion November - geotech investigation now complete and with designers	
Lagoon Farm optioneering report due October	

Key Projects	
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Project	Yr1 Budget	Full Budget	Phase	Update
Wastewater New Outfall	\$ 350,000	#####	Initiation	Procurement strategy being worked on - for all services (prof and construction)
Wastewater pipe renewals and relining	\$ 2,000,000	#####	Scoping	Latham St gravity main and flume renewal going to tender in November (\$3M)
Water Pipe Renewals	\$ 889,000	#####	Scoping	No major pipe renewals planned at present - focus currently on rider mains and small assets
IAF works (Te Awa, Maraenui)	\$ 600,000	#####	Design	Basis of design for pumpstation and waterway complete
Mataruahou Reservoir	\$ 750,000	#####	Design	Geotech investigation underway - concept design to be completed by end of calendar year
Lagoon Farm Diversion	\$ 237,000	#####	Design	Optioneering report due October - this to inform design
Mission Reservoir - New	\$ 1,327,000	#####	Design	Concept design due for completion November - geotech investigation now complete and with designers
Mataruahou and Taradale Rising and Falling Mains (group)	\$ 900,000	#####	Design	Design for Mataruahou and Taradale Rising and Falling Main Tenders to be issued to Market in October
Taradale and Awatoto Borefields and Treatment Plants	\$ 514,212	#####	Design	Design tender awarded and feasibility/design work underway with Beca
Sale St (CBD & Napier South Flood Alleviation - A)	\$ -	#####	Scoping	Munroe St development resulting in need to bring this project forward, works currently being scoped
Stormwater Master Plan Update	\$ 40,000	\$ 40,000	Scoping	Objectives being defined through engagement with stakeholders